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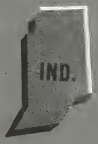

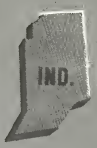

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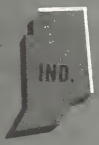
THE WOOL DEPARTMENT of the INDIANA FARM BUREAU COOPERATIVE ASSOCIATION, INC.

General Report 113



By Walter L. Hodde
Farmer Cooperative Service
U. S. Department of Agriculture

JULY 1963

FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

The Service publishes the results of such studies, confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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Summary

This publication traces the development of cooperative wool marketing in Indiana and describes the present organization and operations of the Wool Department of the Indiana Farm Bureau Cooperative Association, Inc. (IFBCA), Indianapolis.

Indiana farmers started marketing wool cooperatively in 1885 when they organized the Putnam County Wool Pool at Greencastle. Changes over the years have led to the present-day operations of the Wool Department.

IFBCA is a financially strong, multipurpose farmer cooperative. Its total volume of business exceeded $150 million in 1961. Its wool department has handled and sold over 50 percent of Indiana shorn wool each year since 1952, except in 1953 and 1956. The association is affiliated with the National Wool Marketing Corporation, a federated sales and service cooperative owned and controlled by State and regional wool cooperatives.

The association markets wool for farmers on either a full or partial advance basis. It realized savings of 43 cents a hundred pounds during 1957 through 1960 and of $1.19 a hundred pounds in 1961. Savings from wool marketing are pooled with savings from other departments of the association.

About 165 shearer-fieldmen, plus more than 80 county farm bureau cooperatives, secure wool for the association on a commission basis. The shearers supply bags and twine, weigh the wool, pay the farmer an advance, and haul the wool away from the farm. This shearer service is popular with Indiana farmers.

County farm bureau cooperatives and shearer-fieldmen truck wool to the association's multipurpose warehouse in Indianapolis. Here the wool is received, graded, baled, stored, and shipped. The association's handling methods and machinery are newly developed and efficient.

The National Wool Marketing Corporation and the manager of the association's wool department work together in selling the wool. Nearly all is sold to topmakers and manufacturers and shipped directly to their mills.

The Wool Department of the Indiana Farm Bureau Cooperative Association, Inc.

by Walter L. Hodde
Livestock and Wool Branch
Marketing Division

This report discusses how Indiana farmers market their wool cooperatively. Cooperative leaders may use this information to help improve existing wool marketing operations or to develop new organizational structures and operating methods. Readers who are not acquainted with wool trade terminology may wish to refer to the appendix for an explanation of some of the technical terms used in this report.

The Indiana Farm Bureau Cooperative Association, Inc., was selected for the study on which this report is based because: (1) It successfully markets large percentages of the wool produced in its trade area; (2) its warehousing, handling, and grading operations are efficient; (3) its methods of getting wool are unique among cooperatives; (4) experiences of this large-scale, multipurpose farmer cooperative may be useful to similar types of associations interested in providing wool marketing services for members; and (5) characteristics of the wool production environment in Indiana are similar or comparable to those of a high proportion of the small-clip producing areas in the United States.

Personnel of the Indiana Farm Bureau Cooperative Association provided basic data for use in this report.

Indiana Wool Production

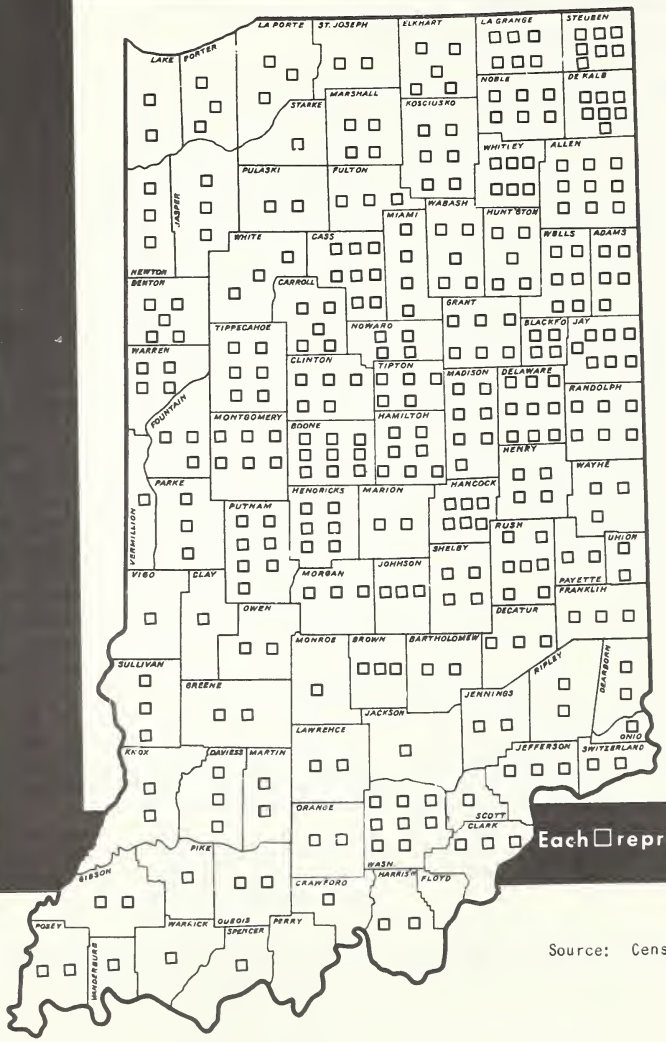
Indiana farmers produce lambs and wool mostly as a sideline. The Census of Agriculture, 1959, showed that about 18,750 Indiana farmers produced approximately 3,294,000 pounds of shorn wool. The average farm clip weighed 174 pounds.

The average clip represented mostly ewe wool. However, many feeder lambs are shorn in the summer and early autumn. Clip sizes range from one fleece to over a thousand fleeces.

Figure 1 shows that central and northeastern Indiana produce more wool than other sections of the State.

Indiana farmers produce a wide variety of wools from sheep of native and western

FIG. 1 Shorn Wool Produced in Indiana, 1959



Each □ represents 10,000 pounds

Source: Census of Agriculture, 1959

breeding. They save some of their ewe lambs, but the trend is toward buying western ewes for replacements. Native sheep are predominantly of down breeding, while western replacements are mostly crossbreds.

Estimated percentages of Indiana shorn wools by fineness grade are shown in table 1.

About 12 percent of Indiana wools are classified as "burry and seedy" because they carry excessive amounts of vegetable matter such as burrs, seeds, chaff, hay, and straw. Tags and crutchings account for 3 to 4 percent of the total. Other offs include black, gray, dead, pelt-shorn, murrain dead, karakul, canary stained, sisal tied, and damaged.

Table 1. - *Estimates of percentages, by fineness grades, of Indiana shorn wools, 1959*

Fineness grade	Percent of total
Fine -- 64's and finer	7
1/2 blood -- 60's and 62's	3
3/8 blood -- 56's and 58's	14
1/4 blood -- 50's and 54's	60
Low 1/4 -- 46's and 48's	14
Common and braid -- 44's and coarser	2
Total	100

Source: Association records.

The Indiana shearing season is in full swing from the first of April until mid-May. However, some sheep are shorn in every month of the year.

Development of Cooperative Marketing[1]

The history of cooperative wool marketing in Indiana shows evolution from (1) independent local pools to (2) coordinated or federated local pools to (3) an independent State wool association to (4) a State wool association federated into the National Wool Marketing Corporation, and finally, to (5) the present setup of a wool department as part of a statewide multipurpose cooperative affiliated with the National Wool Marketing Corporation.

Before 1926

Hoosier wool growers started marketing wool cooperatively in 1885 when they organized the Putnam County Wool Pool at Greencastle.[2]

Growers in Shelby County formed a pool before 1917; by 1919 another 11 or 12 county pools were organized. Most of the pools were sold locally. Some pooled wools, however, were consigned to the National Wool Warehouse and Storage Company, Chicago, before 1921. This was a grower owned and controlled stock company which operated from 1909 to 1925.

The Indiana Farm Bureau became especially concerned with wool marketing problems in 1920, probably because of a drastic drop in prices during the shearing season of that year. It arranged with Claude Harper, then Extension Sheep Specialist of Purdue University, to study the organization and operations of the Ohio Sheep and Wool Growers Association.

Acting on the findings of this study, the Farm Bureau organized the Indiana

[1]Much of the historical information in this section, especially for years before 1930, was obtained in an interview with Claude Harper, Head, Animal Science Department, Purdue University.
[2]Coon, James M. Cooperative Marketing of Fleece Wool. Bulletin 33. Farm Credit Administration, U. S. Dept. of Agr. May 1939.

Farm Bureau Federation Wool Pool early in 1921 to assist and coordinate activities of county pools. Indiana pools consigned almost 1.5 million pounds to the Ohio association's Columbus warehouse in 1921, and some more wools during 1922-25.[3] (The Ohio association was reincorporated as the Ohio Wool Growers Cooperative Association in 1924.)

So, in these early years, independent local pools helped show that cooperation was possible in wool marketing. Then the Indiana Farm Bureau Federation Wool Pool demonstrated that local pools can work together for mutual benefit. It also showed that under some conditions it was desirable to have wools graded and sold by a larger scale wool marketing association.

Indiana Wool Growers Association

The Indiana Farm Bureau Federation Wool Pool setup was superseded by the Indiana Wool Growers Association (IWGA). This was also sponsored by the Farm Bureau from its organization in 1926 until the autumn of 1947.

IWGA employed a part-time manager to work with and coordinate activities of the local pools. He also worked with the National Wool Exchange of Boston, a cooperatively owned sales agency for State wool cooperatives which functioned from 1925 to 1929.

Counties consigning wool to IWGA usually had a local pool manager appointed by the county farm bureau. In many counties, the manager of the farm bureau served as wool pool manager. Duties of county pool managers included disseminating wool market information, securing consignment agreements, discussing wool-pool plans at county and township farm bureau meetings, supervising assembling and shipping the wool, and making weekly reports to the secretary of the Indiana Farm Bureau.

When the National Wool Exchange was superseded by the National Wool Marketing Corporation (National) in late 1929, IWGA became a member, along with 29 other State and regional wool cooperatives.

The National was organized following enactment of the Agricultural Marketing Act, approved June 15, 1929, (46 Stat. II), which established the Federal Farm Board. The Board under this Act had two main tasks: (1) To aid in preventing and controlling surpluses of any agricultural products, and (2) to encourage the organization of farmers into effective cooperatives to promote the establishment and financing of farmer-owned and controlled cooperatives.

After becoming a member of National, IWGA arranged with an independent wool dealer at Fort Wayne to warehouse and grade wools on a commission basis. National provided money for advance loans and merchandised the wool. IWGA employed a young man (now the manager of the Wool Department of the Indiana Farm Bureau Cooperative Association) in 1930 to look after its interests at Fort Wayne.

No local pools functioned in Indiana after 1931, when the Putnam County Wool Pool gave up active business. Its membership had dropped to 75 in 1930 from about 125 in 1928.

Arrangements with the Fort Wayne dealer were terminated before the 1935 season and IWGA started handling wool

[3] Walker, J. F. The Story of the Ohio Wool Growers Cooperative Ass'n. 1926. Published by the Ohio Wool Growers Cooperative Ass'n. 1927.

on its own in Indianapolis. County farm bureau cooperative stores provided growers with bags and twine, accumulated the wool, and shipped it to Indianapolis for 1/2 cent a pound commission. This same basic setup was continued until 1947.

IWGA operated at a loss during 1944-46, primarily because of low volume; in general, however, results had not been satisfactory for many years. (Figure 2). In the autumn of 1947, IWGA was liquidated and the Wool Department of the Indiana Farm Bureau Cooperative Association took over wool marketing activities.

Indiana Farm Bureau Cooperative Association

This section describes the organization and objectives of the Indiana Farm Bureau Cooperative Association and its Wool Department. It also discusses how employees and the National Wool Marketing Corporation work together in marketing Indiana wools cooperatively.

The Association states its objectives thus:

"To improve Indiana farmers' economic position by furnishing them farm supplies and services and marketing their agricultural products through their local cooperative associations at the lowest possible cost consistent with the quality of products and services rendered and with due regard for the association's obligation to its employees and the general public."

The association is a statewide, multipurpose cooperative owned and controlled by 85 county farm bureau cooperative associations. It was incorporated in February 1927 and has grown rapidly. In 1937, 82 affiliated county cooperatives did $14.5 million in business.[4] In 1961 volume of business amounted to over $150 million.

A board of directors and employed officers manage the association. Ten district directors are elected by members of county associations to serve 3-year terms; Indiana Farm Bureau Inc., appoints the eleventh director.

The manager of the Wool Department, along with the managers of nine other marketing and farm supply departments, works under the general supervision of the general manager and assistant general manager of IFBCA. The association also has 10 staff divisions, each under a director.

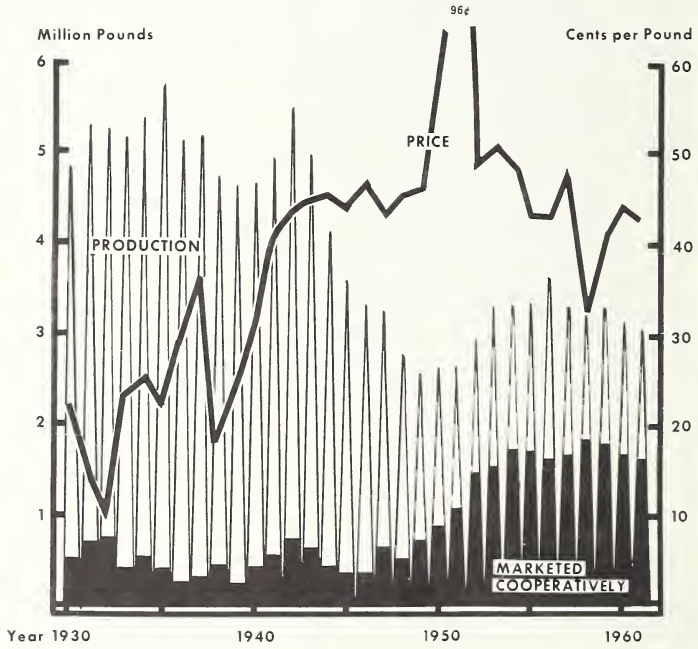
The Wool Department

Even though the Wool Department's business amounts to less than 1 percent of the association's total volume, it benefits over 10,000 wool grower-members. The Wool Department handles a higher percentage of potential Indiana business than any other department in the association.

The general overall objective of the Wool Department may be partly paraphrased from the association's objectives as follows: To improve Indiana wool growers' economic position by furnishing wool marketing services and supplies at the lowest possible cost consistent with the quality of services rendered and with due regard for the association's obligation to its employees and the general public.

[4] Francis, Gerald M. Cooperative Purchasing by Indiana Farmers Through Federated County Farm Bureau Associations. Bulletin 38. Farm Credit Admin., U. S. Dept. of Agr. June 1939.

FIG. 2 Indiana Shorn Wool Production, Average Prices Received by Farmers, Volume and Percent Marketed Cooperatively, 1930-61



Source: U. S. Department of Agriculture; Bureau of Census; and Wool Dept., IFBCA

Wool being delivered to the Indianapolis warehouse of Indiana Farm Bureau Cooperative Association.. The Wool Department serves more than 10,000 grower-members.

The organization for wool marketing is:

I. Wool Department Employees.

A. Manager of the Wool Department. The manager works within the policy framework and controls of the association. He plans, organizes, directs, coordinates, and controls all activities having to do with wool marketing. He employs shearer-fieldmen and any others for his department and recommends salaries through budgets. The association uses a point policy in determining salaries.

The principal responsibilities of the Wool Department manager and the approximate amount of time he devotes to each activity are:

1. Merchandising - keeping up with the market, showing and selling wool, and communicating with the National; 10 percent of time.

2. Controlling - reviewing records, accounts and budgets; 10 percent of time.

3. Planning - developing budgets, discussing and formulating plans with employees and others; 20 percent of time. (He stresses the importance of getting the cooperation of others in developing ideas for bringing about improvements.)

4. Organizing and promoting - engaging in membership and public relations work, education programs and exchange of information, attending meetings, and traveling; 15 percent of time.

5. Securing wool - supervising activities and communicating with shearer-fieldmen, developing and mailing price lists and pricing instructions, and employing shearer-fieldmen; 25 percent of time.

6. Handling and grading - checking grading three or four times a day while in Indianapolis; working with warehouse manager in planning and carrying out receiving, handling, grading, weighing, core sampling, shipping out, recordkeeping; and buying and selling supplies; 20 percent of time.

B. Warehouse Manager. The warehouse manager works under the general supervision of the Wool Department manager. He employs seasonal laborers; supervises and directs receiving, handling, grading and shipping out wools; grades wool and supervises work of another grader; keeps inventory; purchases bags, bale covers, twine, shearing equipment, and supplies; prepares and submits monthly budgets for labor and supplies; does field work; helps at shearing schools; and does a variety of other work as directed by the Wool Department manager.

C. Assistant Warehouse Manager. The assistant warehouse manager grades wool and is in charge when warehouse manager is out.

D. Receiver. He receives wool, keeps records, and does a variety of other work.

E. Seasonal Laborers. A maximum of six men are needed during the peak season.

F. Clerk and Secretary to Wool Department Manager. The clerk-secretary does general secretarial and office work and keeps records and accounts up to date.

G. Shearer-fieldmen. The Wool Department employed 165 shearer-fieldmen during 1962. These men were located in most Indiana counties. Figure 3 shows locations of shearer-fieldmen in 1961.

Shearers go to farms, taking bags and twine with them, shear the sheep, bid the grower a full advance price or offer to take the wool on partial advance basis. If the grower accepts, they weigh the wool, pay him by draft, pack the wool in bags or bale covers, and haul it from the farm. They then arrange for shipping the wool to Indianapolis. They may do their own hauling or hire an independent trucker. However, most of them arrange with county farm bureau cooperatives to haul the wool to Indianapolis.

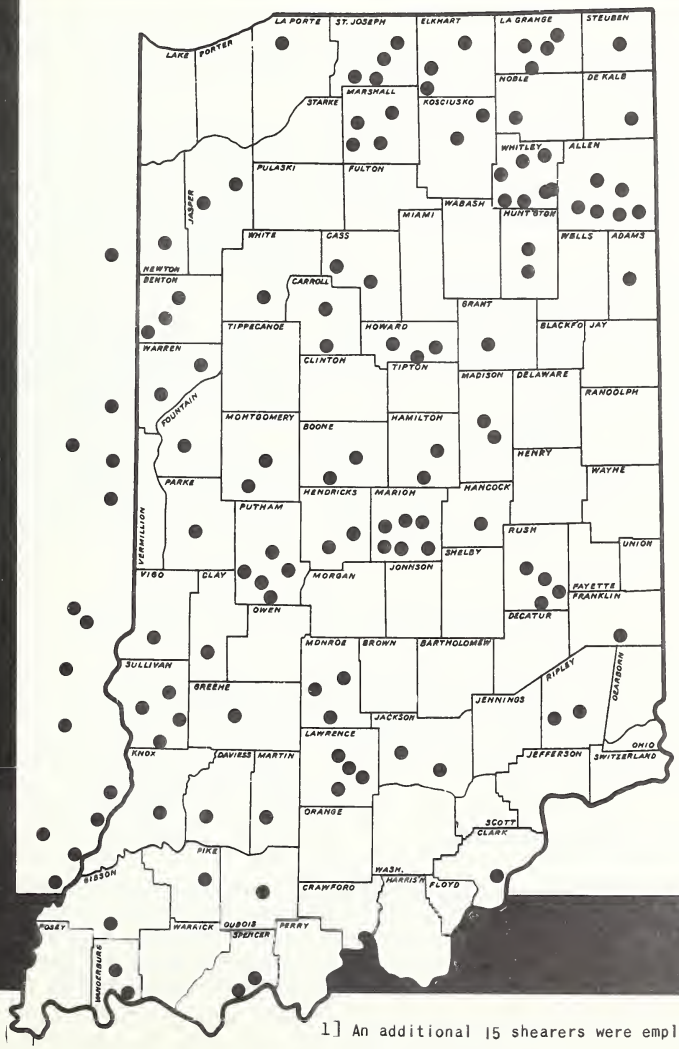
II. County Farm Bureau Cooperatives.

The affiliated cooperatives of IFBCA carry a stock of sheepmen's supplies, bags, and fleece twine. They receive wool from farmers, advance part of the price if the grower desires, and then truck the wool to Indianapolis. If the grower wants to sell, the association sends him the balance of payment or the entire payment after the wool has been appraised in Indianapolis.

III. General Management and Other IFBCA Employees.

A. General Manager and Assistant General Manager of Indiana Farm Bureau

FIG. 3 Approximate Locations of Shearer-Fieldmen Working for Wool Department of Indiana Farm Bureau Cooperative Association-March, 1961 1]



1] An additional 15 shearers were employed in 1962.

Source: The Association

Cooperative Association. The general manager and his assistant provide policy guidance, approve budgets and plans, and maintain general control over the Wool Department in accordance with the association's objectives and policies.

B. Director of the General Field Division. This division director consults and advises the Wool Department manager on plans and policies. He also helps coordinate activities of the association's affiliates and its Wool Department. His division assists affiliated local cooperatives in a variety of activities.

C. Treasurer and Comptroller. The treasurer and the comptroller are in charge of accounting, controlling, bonding, insurance, and auditing for the Wool Department. This division also arranges and handles financing.

D. Traffic Manager. The traffic and shipping department orders some cars and routes the wool, audits freight bills, negotiates with railroads for lower rates, and consults and advises the Wool Department on transportation problems and procedures.

Relationship to National Wool Marketing Corporation

The association has been a member of the National Wool Marketing Corporation over the years.

National provides sales and related services to the Wool Department. This involves maintaining close liaison with the association so that employees can be well informed about the wool market situation at all times and can effectively carry out the joint merchandising program.

IFBCA does its own financing, though most other members of National use the Marketing Corporation's financial services.

National sells wool for IFBCA and remits the proceeds. All sales and prices are mutually agreed upon. The National also provides insurance on wool.

How the Wool Department Operates

This section discusses the procedures the Wool Department of IFBCA uses in marketing Indiana wools cooperatively and considers some policies, problems, and opportunities.

Getting the Wool

Shearer-fieldmen get about 90 percent of the wool. Growers deliver about 8 percent to county cooperatives and about 2 percent directly to the Indianapolis warehouse.

The association developed the shearer-fieldmen type service because that was found to be what most growers wanted. Under this system the grower is saved the work and expense of buying bags and twine and hauling his wool to some local dealer, consignment fieldman, or local pool assembly point.

The Wool Department started cooperating with Purdue University in shearing school activities in 1940 and over the years has developed good relations with the University and with a large number

FIG. 4

47 South Pennsylvania Street

Indiana Farm Bureau Cooperative Ass'n, Inc. Indianapolis 9, Indiana

Phone: MElrose 1-8361

22 May 1962

NOTICE OF PRICE CHANGE

Effective as of the date of this notice, the following prices will prevail until further notice. Please destroy all previous notices and use this one only.

FULL PAYMENT WOOL

Choice medium staple wool	48¢ per lb.
Choice fine staple wool	45¢ per lb.
Short medium wool	45¢ per lb.
Short fine wool	35¢ per lb.
Medium burry or chaffy wool	40¢ per lb.
Fine burry or chaffy wool	35¢ per lb.
Medium lamb and 2nd. clip ewe wool	35¢ per lb.
Fine lamb and 2nd. clip ewe wool	35¢ per lb.
Medium burry or chaffy lamb & 2nd. clip ewe wool	30¢ per lb.
Fine burry or chaffy lamb & 2nd. clip ewe wool	25¢ per lb.
Karakul	10¢ per lb.
Crutchings	12¢ per lb.
Tags	6¢ per lb.

PARTIAL PAYMENT WOOL

Choice medium staple wool	38¢ per lb.
Choice fine staple wool	35¢ per lb.
Short medium wool	35¢ per lb.
Short fine wool	32¢ per lb.
Medium burry or chaffy wool	35¢ per lb.
Fine burry or chaffy wool	28¢ per lb.
Medium lamb and 2nd. clip ewe wool	30¢ per lb.
Fine lamb and 2nd. clip ewe wool	28¢ per lb.
Medium burry or chaffy lamb & 2nd. clip ewe wool	20¢ per lb.
Fine burry or chaffy lamb & 2nd. clip ewe wool	20¢ per lb.

Do not put full payment and partial payment wool on the same draft. If a grower wishes to sell part of his clip and pool the rest of it, write him two drafts. This will have to be done because of the ASC copy and the incentive payment on the full payment wool. BE SURE AND DISCOUNT burry and chaffy wool.

Charles Poland, Mgr.
Wool Marketing Dept.

CP:gjs

of shearers. In 1948, the association employed two shearers as fieldmen. By 1962, it employed about 165 shearer-fieldmen. Also, more than 80 county farm bureau cooperatives provided field services.

For each clip, the shearer fills out a form (original plus four carbon copies) which includes (1) a draft, (2) a recap of pounds and price by class, (3) whether wool is on a full or partial advance basis, (4) amount of payment, (5) itemized deductions for shearing services, and (6) other information. The back of the draft states:

> "The undersigned grower, by endorsing this draft in the space provided below, acknowledges notice of the marketing conditions on the attached voucher and agrees to be bound thereby."

The back of the voucher shows the marketing agreement with details for partial advance wools.

Wool Department fieldmen are not supposed to influence growers' choice of either full or partial advances; the Wool Department receives wool on either basis throughout the year. The department sends a mimeographed "Notice of Price Change" (figure 4) to each fieldman whenever there are significant changes.

Table 2 shows the proportions of wool obtained by full advance (purchase) and by partial advance (consignment) in the years 1957-61. The high partial advance volume in 1958 was due to a low demand for wool during the shearing season.

Shearers haul about 20 percent of the Wool Department's volume into Indianapolis; trucks owned by county cooperatives haul about 70 percent. Many shearers take wool to the county cooperative stores. In other cases, the shearer accumulates the wool at a point where the association's truck picks it up.

When county cooperatives deliver wool, they usually truck farm supplies back from Indianapolis.

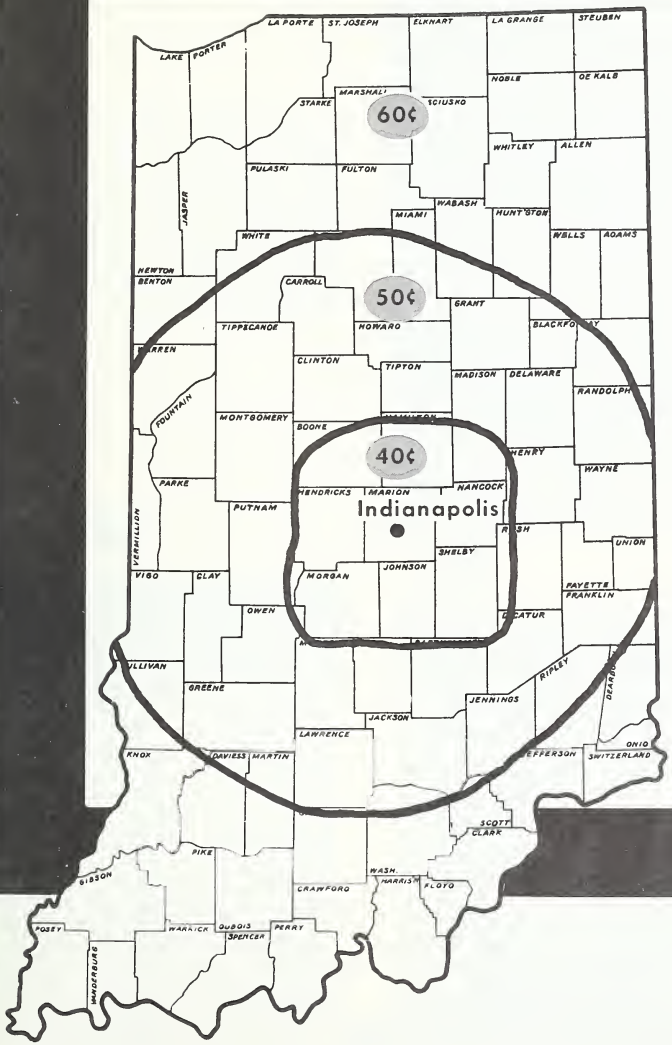
A few livestock truckers or growers haul about 10 percent of the wool into Indianapolis. Three livestock truckers in southwestern Indiana, several in Illinois, and two from northeastern Indiana receive 1 cent a pound for inbound hauling. Growers do not get paid for hauling their wool to the Indianapolis warehouse.

Shearers and county cooperatives receive zone rates of 40 cents, 50 cents, and 60 cents a hundred pounds for hauling wool into Indianapolis, as shown in figure 5.

Table 2. - *Pounds and percentages of wool handled on full and partial advance, 1957-61*

Year	Pounds on full advance	Pounds on partial advance	Percent on full advance	Percent on partial advance
1957	1,511	258	85	15
1958	1,064	862	55	45
1959	1,552	332	82	18
1960	1,548	213	88	12
1961	1,388	235	85	15
Average	1,413	380	79	21

FIG. 5 Zone Rates Paid to County Cooperatives and Shearer-Fieldmen for Hauling Wool into Indianapolis



Handling The Wool

1 ...

An hydraulic shaker is used to empty a bag of wool onto a conveyer which moves the fleeces to the grading board.....A grader examines the wool carefully, appraising it for fineness, length, and other characteristics.....Then the fleeces are thrown into crates to be taken to the baler.

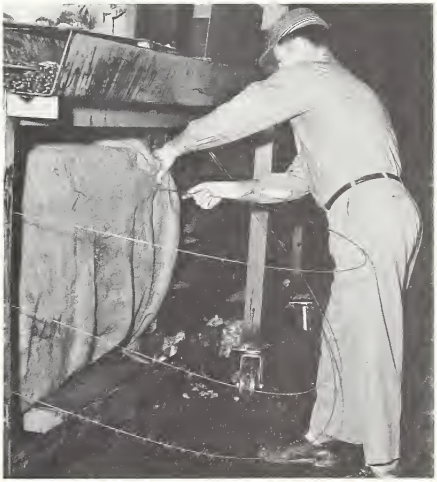
2 ...

3 ...

Fleeces are lifted from the crates (each crate holds the equivalent of one bale of wool) and fed into a baling machine which was invented by the manager of the Wool Department.....A worker fastens wires securely around a bale before it is removed from the machine and taken to storage.

4 ...

5 .



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4 ...

5 .

The association pays 3 cents a pound commission to shearers and county cooperatives for all the wool they handle, plus the inbound zone rate hauling commission. This amounts to a little over $6 for an average Indiana wool clip.

The manager of the Wool Department keeps in close touch with his shearer-fieldmen. Most of the communicating is done by phone during evenings. Shearers report on competition, the kinds and amounts of wool being shorn, and the attitudes and reactions of growers. The manager answers queries and gives special instructions. For example, if the wool in certain sections is coming off exceptionally light or heavy in shrinkage, the manager instructs shearers to give premiums or reduce prices.

Shearer-fieldmen get their fleece twine and wool bags or bale covers from the association. Fleece twine is supplied free of charge to shearers but sold to county cooperatives. Shearers and county cooperatives are charged $1 for each unreturned bag or bale cover.

Payments to Growers

The association endeavors to pay growers at a price level that results in savings of 1 cent to 1.5 cents a pound. However, data show that savings from 1957 through 1961 averaged 0.58 cents a pound.

The association paid about 1.75 cents more a pound than the average price received by all Indiana growers during 1957-61, (table 3). It handles over 50 percent of all shorn wool and gets about 80 percent of the lambs wool produced in the State.

IFBCA believes each grower should receive prices in line with the merit of his product. Patrons do receive prices closely in line with the merit of their wool when they have their association handle it on a partial advance basis. However, when they have shearer-fieldmen handle their wool on full advance, they have to depend on the shearer to do a good job of evaluating and pricing their clip. The association is endeavoring to train shearer-fieldmen to appraise and pay for wool according to merit. However, this job is technical and difficult.

Volume and Competition

The association has been successful in building volume to the point of marketing approximately one half of the wool produced in Indiana (figure 2). If the association marketed an even higher pro-

Table 3. - *Prices paid to growers by the association compared with average prices received by all Indiana growers for shorn wool, 1957-61 marketing years*

Item	1957	1958	1959	1960	1961
	Per hundred pounds, grease basis				
Average price	$48.00	$33.00	$41.00	$44.00	$43.00
Association price	46.96	41.25	40.02	48.89	40.61
Difference	-1.04	+8.25	-0.98	+4.89	-2.39

portion, quite probably it could reduce per pound costs for handling and merchandising. This overall problem of getting greater volume includes subproblems of competition, costs, types of field services, and pricing to growers.

For example, costs of getting wool in small-clip areas are generally higher than in areas where clips are large. There are wide variations in per pound field service costs between wool cooperatives. This is at least partly due to differences in the types of field services.

IFBCA has at least eight competitors, including dealers, topmakers, and manufacturers, who employ shearers and local field agents to buy wool for them. Some of these topmakers and manufacturers also buy wool from the association. One competitor had 75 and another had 45 shearer-fieldmen working in Indiana and Ohio in 1961.

This type of competition is hard to meet, and in some Indiana counties the association has been getting very little wool. At times competitors have paid higher prices than the association could afford to pay. However, the manager is experimenting with plans to improve services to members in these areas.

Handling the Wool

The association is efficient in its wool handling methods. A major share of the credit is attributable to the manager's cost consciousness, coupled with his inventive mechanical aptitudes. Traffic and transportation personnel also are due credit for obtaining substantial reductions in rail freight rates for heavier carload minimums.

A wool bagger invented by the manager of the Wool Department in 1949 brought about savings in labor and costs. In addition, the association has sold about 50 of the machines over the years, realizing modest margins.

The same manager and his assistants made a major "breakthrough" in wool handling in 1959-60. This includes the combination of new equipment - a baling machine invented by the manager, hydraulic bag shaking emptier, conveyor from bag shaker to grading board, clamplift truck, and crates holding enough wool for one bale - and new labor-saving methods of handling. Also, during 1959, the association reduced warehouse space for wool handling.

This section describes how the association receives, grades, bales, stores and ships wool. This work is done in a section of the association's general warehouse in the outskirts of Indianapolis. Some approximations of costs also are included here.

Receiving and Grading

Drivers bringing in wool back their trucks to the warehouse door. Warehouse employees unload and weigh the bags and place them in temporary storage. They also make out receiving records.

The grading procedure is as follows:

1. Hand truckers bring bags of wool to the bag shaker.

2. An employee, using the hydraulic bag shaker, empties the bag into a conveyor.

3. Graders regulate the conveyor with foot switches to move fleeces to the grading table.

4. Two employees grade the wool and throw the fleeces into crates. They grade according to buyers' specifications or according to standards for grades shown in table 4.

5. An employee pushes the crates to the baler. Each crate holds the equivalent of a bale of wool.

Full advance and partial advance wools are commingled during grading. This is unusual among cooperatives. However, this procedure leads to greater efficiency in handling and merchandising. Appraisals are made for each clip of partial advance wools to make payment in line with merit. Graders also appraise full advance wools to check on shearer-fieldmen.

The standards for fineness in table 4 are essentially the same as those proposed for fineness by Agricultural Marketing Service, U. S. Department of Agriculture.

Table 5 shows numbers of grades and percentages of total weight according to general description of wools shipped by IFBCA in 1958, 1959, and 1960.

Baling

The baling procedure is as follows:

1. The crate-pusher lowers the hinged side of the crate and sets aside two to four randomly selected fleeces. These fleeces are later shown to buyers and used for checking grading consistency.

2. The crate-pusher throws fleeces on to the baler platform.

3. The baler-operator feeds the baling machine.

4. The crate-pusher or the operator of the clamplift truck helps put wires around the bale, removes it from the machine, and places a new cover in the baler.

After baling is completed, the operator of the clamplift truck moves the bales and sample fleeces to designated storage locations.

Shipping

Shipping procedures are as follows:

1. The association orders and spots railroad cars of appropriate size and type.

Table 4. - *Standards for grading fleeces, 1961*

Fineness		Length of stretched locks
Spinning count	Blood grade	
64's and finer	Fine	2.5 in. and up is staple - shorter is French
60's and 62's	1/2 blood	2.75 in. and up is staple - shorter is French
56's and 58's	3/8 blood	3.0 in. and up is staple - shorter is Baby
50's and 54's	1/4 blood	3.0 in. and up is staple - shorter is Baby
46's and 48's	Low 1/4	Practically all staple
44's and coarser	Common and braid	Practically all staple

Table 5. - *Numbers of grades and percentages of total weight according to general description of wools shipped by the association, 1958-60*

Description of grades	Shipped in 1958		Shipped in 1959		Shipped in 1960	
	Number of grades	Percent of total weight	Number of grades	Percent of total weight	Number of grades	Percent of total weight
Choice fine staple	1	2.1	1	2.8	1	1.5
Choice 1/2 staple	1	1.3	1	1.2	1	1.2
Choice 3/8 staple	1	9.0	2	5.6	1	7.1
Choice 1/4 staple	1	34.2	2	28.2	2	27.4
Bright fine staple	1	0.1	1	0.5	1	0.6
Bright 1/2 staple	1	0.1	0	.0	1	0.2
Bright 3/8 staple	1	0.6	1	0.5	1	1.0
Bright 1/4 staple	2	1.0	2	3.1	1	4.0
Fine French	2	1.8	2	1.4	2	1.2
1/2 French	1	0.9	1	0.8	1	0.9
3/8 baby	1	6.1	1	3.8	1	5.3
1/4 baby	2	12.3	1	11.3	1	11.5
Low 1/4	3	3.8	3	9.8	1	9.0
Common and braid	1	0.3	1	1.0	1	1.1
Burry and seedy	3	12.4	3	12.5	2	13.0
Crutchings and tags	2	2.6	2	3.5	2	2.4
Black and gray	1	1.2	1	1.3	1	1.3
Dead	2	0.4	1	0.6	1	1.3
Other offs	5	0.1	6	0.4	7	0.9
Lamb (all)	12	9.7	8	11.5	10	8.9
Total	44	100.0	40	99.8	39	99.8

2. Warehouse employees remove bales from storage, weigh them, core sample (if sold on the core), and load them into the railroad cars. The association core samples most of its wool with an hydraulic powered 1/2-inch pressure coring machine and sells it on a clean fibers present basis.

A 40-foot car will hold 60,000 pounds or more and a 50-foot car will hold 80,000 pounds or more. Practically all the wool is shipped in cars loaded to 60,000 pounds or more to take advantage of lower freight rates.

Freight rates on wool from Indianapolis were reduced drastically in mid-1959. The association's traffic department obtained new 60,000 pound minimum rates (table 6) and has used rail shipments almost exclusively since the reduced rates have been in effect. It had used trucks for many of the earlier 1959 shipments of baled wool.

Practically all wool is sold at prices which include delivery to the mills; thus the association gets direct benefits from reduced freight rates.

Warehousing

Figure 6 is a shematic sketch of the floor plan and equipment layout of the area of IFBCA's warehouse in Indianapolis where wool is handled.

An approximation of the square feet and percentage of floor space normally used for various functions is as follows:

Function	Square feet	Percent of space
Receiving and bag storage	1,200	10
Grading	1,300	11
Baling	450	4
Aisles, samples, and miscellaneous	3,960	34
Office and crew rooms	180	2
Bale storage	4,600	39
Total	11,690	100

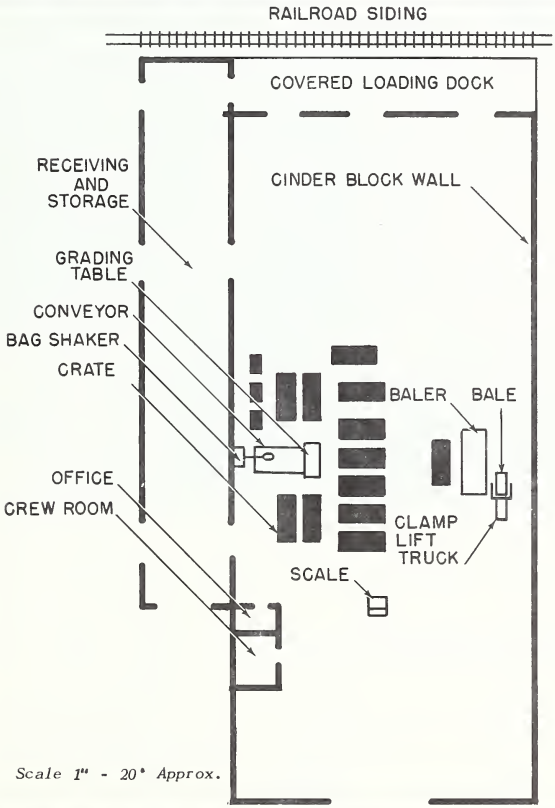
Much of the space for bag storage and aisles may be used for bale storage, or vice versa. Also, the Wool Department requires less warehouse space during autumn and winter. This makes space available for IFBCA to use for other purposes.

The manager estimates that the available space (about 11,700 square feet or 129,000 cubic feet) is adequate for the normal handling and grading of 2 million pounds of wool a year. The approximate amount of floor space required for storing bales (31 in. x 64 in. x 22 in.) weighing

Table 6. - *Rail freight rates from Indianapolis to selected destinations - March 1961*

Destination	Rail freight rate per 100 pounds of wool for minimums of		
	60,000 lb.	40,000 lb.	24,000 lb.
Boston, Mass.	$0.96	$1.20	$2.04
Lawrence, Mass.	0.99	1.24	2.13
Albany, N. Y.	0.86	1.07	1.85
Jamestown, N. Y.	0.69	0.86	1.47
Rossville, Ga.	0.86	-	-
Johnsonville, S. C.	0.93	-	-
Jamestown, S. C.	0.94	-	-

FIG. 6 Warehouse Floor Plan and Equipment Layout of Wool Department, IFBCA, March, 1961



Floor is truckbed and railcar height above ground. Usable height 11 feet

Finished bales, like this one, are moved to storage by clamplift truck.

an average of 475 pounds and stacked 6 flat high (about 11 feet) is:

Square feet required	Pounds stored
100	19,500
1,000	195,000
2,000	390,000
5,000	975,000
10,000	1,950,000
50,000	9,750,000

Labor Requirements and Operating Costs

A warehouse manager, assistant warehouse manager, and receiver are employed full time. Four laborers are hired for about 20 weeks each year and two for 8 weeks. The warehouse manager and assistant warehouse manager are also qualified graders. Salaries and wages for these employees would amount to approximately $1.32 a hundred pounds if volume were 1.7 million pounds. This crew could probably handle 2 million pounds at a cost of $1.12 a hundred pounds.

The 1961 cost situation for equipment is approximated in table 7.

The sum of $14,150 was invested to mechanize handling. This investment

Table 7. - *Approximate equipment costs, Wool Department, IFBCA, 1961*

Item	New cost	Depreciation	Maintenance and repairs	Annual cost[1]	Cost per 100 lbs.[2]
Baler	$6,200	$620	$130	$750	4.41¢
Forklift truck	5,500	550	[3]300	850	5.00
Bag shaker	425	40	30	70	0.41
Grader conveyor	525	60	20	80	0.47
Crates	1,500	150	10	160	0.94
Total	14,150	1,420	490	1,910	11.23

[1]Interest excluded.
[2]Based on a volume of 1.7 million pounds a year.
[3]Includes cost of gasoline and hydraulic fluid.

pays returns in the form of reduced labor costs.

Packaging material costs have been reduced by baling instead of bagging. The association buys bale covers that have seams sewn lengthwise at ordinary wool bag width. The extra seam costs 3.5 cents. These covers can be sent to the country for bagging three clips and then used as bale covers when wool is shipped to mills. Bale covers are 54 x 72 inches and made of 7.5 ounce burlap. Mouth pieces for bales cost 12 cents each. Bale wires cost $6.75 a hundred or 20.25 cents a bale.

An estimate of packaging material costs is shown in table 8.

The association usually maintains an inventory of two to three times the number of bale covers shown in table 8.

Selling the Wool

This section describes and discusses the association's wool merchandising program which is conducted jointly with the National Wool Marketing Corporation.

The association has a policy of limiting its long position (full advanced but not

Table 8. - *Estimate of packaging material costs for 1.7 million pounds of wool with bales weighing an average of 475 pounds*

Item	Cost per item	Number of items used per year	Total cost per year	Cost per 100 pounds
Bale covers[1]	$1.0000	3,579	$3,579	21.05¢
Mouth pieces[1]	.1200	3,579	430	2.52
Bale wires	.0675	10,737	725	4.26
Total			4,734	27.83

[1]Prices of bale covers and mouth pieces fluctuate radically at times.

sold or hedged inventory of wool) or short position (wool that has been forward sold but not yet obtained on either full or partial advance) to 300,000 pounds. This policy is designed to put a reasonable limit on speculative risks.

Like most larger scale cooperatives, the association provides year-round wool marketing services. This is in contrast to many dealers who buy wool only during the shearing season.

Authority and responsibility for carrying out the wool merchandising policies and program are delegated to the manager of the Wool Department. However, he works closely with and depends very heavily on the National's sales personnel in merchandising the wool. This means that the association and the National must communicate clearly, currently, fully, and accurately.

The duties of National's sales personnel and the manager of the Wool Department are not clearly delineated or separated. However, the following functions may be considered to be primarily those of the manager of the Wool Department.

1. He keeps track of inventory, wool movement, and competitive situation; predicts incoming volume for forthcoming designated periods; and informs the National on these points.

2. He appraises and describes the wool to the National, largely on type-by-type basis.

3. He provides guidance to the National concerning his desires as to prices and volumes by type to be sold.

4. He shows wool to customers when they are in Indianapolis and sometimes negotiates spot sales (usually after talking with National's personnel).

5. He decides to accept or reject bids obtained by the National. These decisions are frequently made in advance; that is, he and National agree to make forward or spot sales providing the price and other considerations are satisfactory.

Primary and major functions of National's sales personnel are:

1. They negotiate sales primarily with topmakers and manufacturers.

2. They obtain the association manager's agreement on these sales, when necessary.

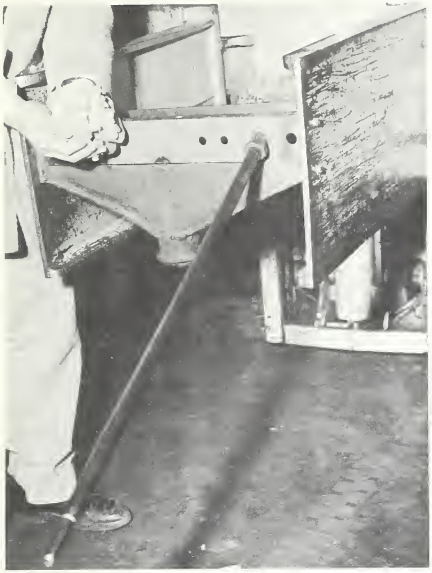
3. They analyze and predict the market situation and provide this information to the manager of the association's Wool Department.

4. They advise the association on how to prepare and grade wool for market. This includes providing physical specifications for forward sales made on description.

5. They hedge wool on the Wool Associates of the New York Cotton Exchange.

The National collects and remits sales proceeds to the association.

In 1960 IFBCA sold clear ewe wools to seven topmakers (60 percent); two manufacturers (17 percent); and one order-buyer (3 percent). Lamb and off wools were sold to several other buyers. The association sells a high proportion of the wool on description for forward delivery with skrinkage measured by core sampling.



IFBCA sells a high proportion of wool on description for forward delivery. This picture shows core sampling equipment and part of a core sample.

The National charged the association 53 cents a hundred pounds for its services and insurance on the wool in 1960.

The association and the National have been successful in dealing with the highly important and complex problems of pricing and selling wool. Prime evidence of this is the fact that the association handles over 50 percent of the wool produced in Indiana. Also by the fact that the association returned an average of 1.75 cents a pound more than was received by the typical Indiana growers during 1957-61.

Finances and Controls

The Indiana Farm Bureau Cooperative Association is large and financially strong. This section describes and discusses its wool marketing controls, accounts, finances, costs, and revenues.

Basic controls include: (1) annual budget, by months; (2) special budgets; (3) monthly statement of operations compared to budget; (4) weekly inventory reports; (5) daily calculation of average prices advanced per pound for full and partial advance wools; (6) calculation of average price received per pound when wool is sold.

Automated equipment is used for accounting. Control accounts are kept very closely up to date so that management has a clear, concise picture of the situation at all times.

The association employs a public accountant to audit its books at the end of each fiscal year (December 31.) The audits do not show a separate balance sheet for the Wool Department. Savings from wool marketing operations are pooled with those from other departments.

Statements of operations show that the Wool Department realized net savings of $32,279 during 1957-60 for an average of $8,070 a year. This margin of savings ranged from 91 cents a hundred pounds in 1959 to a loss of 38 cents in 1960 with a 1957-60 average of 43 cents. During 1961 the Wool Department realized net savings of $20,505 or $1.19 a hundred pounds (table 9).

The IFBCA borrows from the Louisville Bank for Cooperatives and some of the borrowed money is used to finance wool marketing operations.

Table 9. - *Statement of expenses and savings for 1961 wool marketing operations*[1]

	Amount	Per CWT	Amount	Per CWT
Total gross income from 1,719,008 pounds[2]			$177,978.24	$10.35
Expenses				
General office				
Telephone and telegraph	$1,301.06	$0.08		
Rent	905,93	.04		
Postage	480.53	.03		
Supplies	1,219.20	.07		
Advertising and bonuses	278.97	.02		
Legal services	104.62	.01		
Other	4.13	-		
Total	4,294.44	.25		
Office and field service				
Salaries	13,027.00	.76		
Traveling	1,783.75	.10		
Depreciation	705.00	.04		
Meetings	576.70	.03		
Commissions paid to agents	49,133.24	2.86		
Total	65,225.69	3.79		
Warehouse expense				
Salaries	26,355.17	1.54		
Fringe benefits	580.93	.03		
Rent	5,749.02	.33		
Depreciation	2,783.06	.16		
Repairs	885.17	.04		
Supplies[3]	7,757.07	.45		
Watchmen service	549.24	.03		
Lift truck expenses	212.38	.02		
Freight out	72.33	.01		
Inventory write down	58.61	.01		
Total	45,002.98	2.62		
General				
Fringe benefits	3,207.29	.19		
Insurance	1,381.48	.08		
Taxes	1,422.90	.08		
Total	6,011.67	.35		
Other				
Freight, truck, interest and storage	16,502.40	.96		
Coring	561.98	.03		
Commission paid to National	9,110.74	.53		
Local freight	10,762.63	.63		
Total	36,937.75	2.15		
Total expenses			157,472.53	9.16
Net savings			20,505.71	1.19

[1]Data furnished by association.
[2]Includes inventory carried over from 1960.
[3]Includes wool bags, bale covers and twine furnished to growers.

However, the audits do not show interest as a separate expense item for the Wool Department.

Education and Information Programs

Information and education programs have been developed over the years.

The Wool Department manager writes a brief article every other month for publication in the association's Farm News. He occasionally has an article in the Hoosier Farmer.

Membership relations work is mostly through personal contacts with county cooperatives, shearers, and members. Many members go on tours of the association's warehouse where they see the wool grading and handling operations. Tours also have been given for 4-H Clubs, Future Farmers of America, bankers, women's organizations, and other groups.

The director of field services and his staff set up many meetings throughout Indiana where wool marketing information is presented and discussed.

The Wool Department manager goes over wool marketing plans and information at annual meetings of managers of county cooperatives. In addition, he superintends the wool show at the Indiana State Fair and helps with the annual hand spinning and weaving demonstrations. The premium lists show the association as a sponsor of the shows. He also has been judging the wool show at the International Livestock Exposition at Chicago.

Close and harmonious working relations are maintained with Purdue University and the Indiana Extension Service. The Wool Department manager spends 2 days each year at Purdue helping teach about wool and wool marketing. This is followed by a 1-day program and dinner at Indianapolis for the students. He also judges the shearing contest at Purdue's "Royal," a livestock show put on by students. County sheep improvement associations hold from 10 to 15 meetings a year where the Wool Department manager gives talks on wool marketing and improvements in production and preparation.

The Indiana Extension Service and the association have long been aware of shearers' strategic position for improving the preparation of wool and for giving sound advice to growers. Therefore, much of their education and information work is with shearers. The Extension Service sponsors 12 to 15 shearing schools each year at which the association assists as much as possible.

Shearers usually have a meeting in Columbia City, Ind., and another at Indianapolis each year. It has been the practice for shearer-fieldmen to take bags and twine with them from their meeting in Indianapolis.

The Extension Service varies its educational program at these yearly meetings to bring pertinent information, including talks by the Wool Department Manager on wool marketing. The association also uses this opportunity to instruct shearer-fieldmen on ways to improve their services, with stress on paying growers according to the merit of their wool. Shearers are guests of the association at a meal at each of these meetings.

The statewide, closely integrated organization provides an effective media

for two-way flow of information. However, there continue to be problems of developing better understanding and loyalty among growers, and much still remains to be done in training and educating shearer-fieldmen.

A Look Ahead

In the first sections of this report we discussed how wool marketing has changed in Indiana over the years. It will continue to change.

The Indiana Farm Bureau Cooperative Association has been successful in developing cooperative wool marketing in the State. Its growth in volume from 21 percent of production in 1947 to 56 percent in 1954 was impressive. Since 1954, volume has ranged from 45 to 57 percent.

Why has the association been successful in its wool marketing operations? Among the contributing factors are these:

1. The strong management and the physical and financial resources of a statewide, highly-integrated, and well organized multipurpose cooperative.

2. Development of the shearer-fieldmen program designed to serve growers in the way they want to be served.

3. Competent planning, development, and control of merchandising, budgeting, margins, risks, and operating methods.

4. Careful planning and control of grading, handling, selling, transporting, and accounting. This has resulted in low costs and good prices.

What lies ahead?

Regardless of what changes take place in the wool marketing environment, two basic questions will remain: (1) How to return higher net prices to growers through reducing per pound operating costs and obtaining higher per pound prices; and (2) how to adjust future operations to meet the needs of wool growers in Indiana.

These problems are interrelated and fall within the general area wherein the cooperative can have a considerable degree of control.

In other areas, however, IFBCA will have only indirect control in shaping its future. For example, there has been a trend toward more direct buying by some large processor customers. Some of these customer-competitors have well organized and carefully controlled buying organizations backed by strong financial positions and guided by experts in the technical and economic management of wool marketing.

IFBCA has shown the ability to move with the times. Its future will be determined by how well it solves the problems and develops the opportunities that lie ahead.

Appendix

Explanation of Some Technical Terms

Blood grade. Wool fiber diameter or fineness as expressed by the blood grade system includes the following grades; Fine; 1/2 Blood; 3/8 Blood; 1/4 Blood; Low Quarter; Common, and Braid. (See table 1 for comparison of Blood grade and spinning count.)

Canary stained. Wool that has been stained yellow by the action of fungus or bacteria.

Clip. A general term for the wool produced by a grower or group of producers in a given year. For example, "Jones had a clip of 965 pounds this year." Also, "The 1961 United States shorn wool clip was 260 million pounds."

Core sample. To sample bagged or baled wool by removing cores with special tools. The core samples are tested in laboratories for the percentage of clean fibers present to determine yield (percent of clean fibers by weight) or shrinkage (percent of non-fiber components).

Crutchings. Wool shorn from around the udder and anus of sheep, usually before lambing time. Also, stained or defective wool that has been removed from fleeces during grading is sometimes sold as crutchings or grading tags.

Dead. Wool that has been shorn or pulled from the carcasses of dead sheep, usually within a day or two after death. (See murrain dead.)

Fineness grade. (See blood grade and spinning count.)

Grease basis. Wool is priced and sold on either the "grease basis" or the "clean fibers present basis." For example, wool priced at 50 cents "grease basis" which would yield 50 percent clean fibers present would have an equivalent "clean fibers present basis" price of $1.00 per pound.

Murrain dead. Wool pulled from the decomposed remains of sheep that have died on the range or in pastures. Murrain dead wool usually contains more pieces of skin and shows more weathering than pulled or shorn dead.

Offs. Less desirable wools such as black, gray, tags, crutchings, dead, stained, burry, seedy, and chaffy.

On basis sales. Wool is usually priced and sold by a designated price such as 40 cents grease basis or $1.30 clean fibers present basis. However, wool can also be priced as a specified amount (the basis) above or below a designated futures option. An "on basis" or "on call" sale could go about as follows: (1) On March 1 the buyer agrees to pay 5¢ per clean pound above (i.e. "on") May wool futures

option; (2) On April 2, the buyer "calls" the sale when the closing price of May wool is $1.25; (3) The buyer pays the seller $1.25 + $0.05 = $1.30.

Spinning count. Originally the "spinning count" for a lot of wool was the number of hanks, (64's, 56's, etc.) each 560 yards long, that could be spun from one pound of tops combed from that lot of wool. The finer the wool, the higher the spinning count. Now the spinning count is determined by the average diameter, and diameter distribution of the wool or wool tops. (See table 1 for comparison of spinning count and blood fineness grades.)

Tags. Manure coated locks of wools.

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Other Publications Available

How Much Did Your Wool Bring? FCS Information 15.

What Kind of Wool Do You Market? FCS Information 16.

Livestock Pooling -- Improved Marketing Through Grading and Commingling. Market Research Report 510. Ira M. Stevens and John T. Haas.

Manufacturers' and Topmakers' Views on Some Wool Marketing Problems. General Report 34. Walter L. Hodde.

Equity Cooperative Livestock Sales Association -- A Wisconsin Operation. FCS Circular 32. C. G. Randell.

Statistics of Farmer Cooperatives, 1959-60. FCS General Report 103. Anne L. Gessner.

A Livestock Market Is Born. FCS General Report 96. C. G. Randell.

Livestock Marketing Cooperatives in California. FCS General Report 98. R. L. Fox.

Safety-Checking Handling Facilities To Reduce Livestock Losses. FCS Information 28.

Safety-Checking Livestock Trucking To Reduce Loss and Damage. FCS Information 33.

Losses From Handling Sheep and Lambs. Marketing Research Report 544. Joseph E. Rickenbacker.

A copy of each of these publications may be obtained upon request while a supply is available from:

Farmer Cooperative Service
U. S. Department of Agriculture
Washington 25, D. C.